GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2108
ANSWERED ON:13.03.2008
SUPPLY OF CRUDE OIL TO REFINERIES BY ONGC
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Oil and Natural Gas Corporation (ONGC) sells the extracted crude oil to the refineries;

(b) if so, the year-wise quantum of crude oil sold during the last three years along with the price at which it was sold;

(c) the price at which the refineries sell the refined oil;

(d) whether there is big difference in the prices of crude oil and refined oil; and

(e) if so, the reaction of the Government thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)to(e): Yes, Sir. Oil and Natural Gas Corporation (ONGC) sells the extracted crude oil to Public Sector oil refineries i.e. Indian Oil Corporation (IOC) and its subsidiaries, Bharat Petroleum Corporation (BPC) and its subsidiary, Hindustan Petroleum Corporation (HPC) and Mangalore Refinery and Petrochemicals Ltd., (MRPL). The quantities sold during the last three years along with the price are given below:

Year	Quantity of crude oil sold by ONGC MMT	Gross (Pre-discount) Crude Price (US $/bbl)	Net (Post-discount) Crude Price MMT (US $/bbl
2004-05	22.46	43.20	37.79
2005-06	20.72	59.66	42.34
2006-07	22.58	66.33	44.22
2007-08 (Apr-Dec'07)	16.64	80.37	53.69

Note: The post-discount price is after considering total subsidy on crude oil.

Refineries sell the petroleum products to Public Sector Oil Marketing Companies (OMCs) at refinery transfer price. The refinery transfer price is on import parity for PDS Kerosene and Domestic LPG and trade parity for petrol and diesel.The international prices of crude oil and products are given in annexure.

The international prices of crude oil and petroleum products have remained high and volatile since 2004. As passing on the entire impact of the steep increase in the international oil prices to the consumers would have resulted in steep increase in the domestic prices of sensitive petroleum products i.e petrol, diesel, PDS Kerosene and Domestic LPG and created inflationary impact, it has not been done. This has resulted in under-recoveries for OMCs on sensitive petroleum products.

The Government has adopted the principle of equitable burden sharing between the Government, the oil PSUs and consumers to protect the interest of common man, vulnerable sections of society and also the financial health of OMCs. The Government has issued Oil Bonds and the Upstream Oil Companies have also contributed by offering discount on crude oil and petroleum products to partially compensate the under-recoveries of OMCs.

The amount of subsidy borne by ONGC by offering discount on crude oil and petroleum products during the last three years are given below:

year	Amount of subsidy (Rs. Crore)
2004-05	4,104
2005-06	11,958
2006-07	17,025
2007-08 (Apr-Dec`07)	13,528